

**Montana Agriculture Development Council
Business Conference Call
June 1, 2011
Minutes**

Members participating in person:

Ron de Yong, Director of Agriculture, Helena

Members participating by phone:

Dore Schwinden, Director, Montana Department of Commerce

David Tyler, Chair, Belgrade

Ervin Schlemmer, Vice-Chair, Joliet

Patricia Quisno, Harlem

Bill Koenig, Kalispell

Verges Ageson, Gildford

Staff attending in person:

Joel Clairmont, Deputy Director, Montana Department of Agriculture

Cort Jensen, Chief Attorney, Montana Department of Agriculture

Collin Watters, Bureau Chief, Agricultural Marketing and Business Development Bureau

Angie Nelson, Program Manager, Growth Through Agriculture

Lindra Davies, Agriculture Marketing Technician

Montana Department of Agriculture staff were available to the Agriculture Development Council (Council) for information purposes.

David Tyler, Chair, called the meeting to order at 7:08 a.m., June 1, 2011

Roll Call/Call for Proxies

- *No proxies were received and all of the Agriculture Development Council members were available for the meeting.*

Review of April 6, 2011 Minutes

Ervin Schlemmer moved to accept the minutes of the April 6, 2011 Agriculture Development Council meeting with no changes. Patricia Quisno seconded the motion. The motion carried with no dissenting votes.

Financial Review

Angie Nelson, Growth Through Agriculture Program Manager, gave an overview of the financial information to date for SFY2011. She also provided SFY2012 budget projections for GTA grant and loan awards.

Uncommitted SFY2011 Funds

Angie Nelson proposed that the Council authorize reallocation of any uncommitted SFY2011 Growth Through Agriculture (GTA) funding toward the Department of Agriculture's Mini-Grant/Trade Show Assistance Program.

Verges Aageson moved to reallocate uncommitted SFY2011 GTA funding toward the Mini-Grant/Trade Show Assistance Program. Bill Koenig seconded the motion. The motion carried with no dissenting votes.

SFY2012 Funding for Mini-Grant/Trade Show Assistance Program

Angie Nelson proposed that the Council reauthorize GTA funding for the Mini-Grant/Trade Show Assistance Program for SFY2012 which begins July 1, 2011.

Bill Koenig moved to reauthorize funding for the Mini-Grant/Trade Show Assistance Program during SFY2012 in the amount of \$40,000.00. Ervin Schlemmer seconded the motion. The motion carried with no dissenting votes.

SFY2012-2013 Funding for Domestic Marketing Specialist

During the September 2010 business meeting, the Council approved funding for the Department of Commerce and the Department of Agriculture for SFY2012 and 2013.

The Department of Commerce was approved funding in the amount of \$90,000.00 for each fiscal year to be allocated for the operation and support of the State of Montana overseas trade offices located in Japan and Taiwan, as well as domestic promotional assistance for value-added agricultural products.

The Department of Agriculture was approved funding in the amount of \$80,000.00 for each fiscal year to be allocated toward the salary and operational expenses of one full-time domestic marketing staff person.

Angie Nelson proposed to increase the budget for the Department of Agriculture's full-time domestic marketing staff person from \$80,000.00 to \$90,000.00 for each fiscal year as the budget for this position has not been adjusted to account for staff longevity or increased operational costs.

Patricia Quisno moved to approve additional funding for the salary and operational expenses of one full-time domestic marketing staff person in the amount of \$10,000.00 for each fiscal year of 2012 and 2013 for a total of \$90,000 per year. Verges Aageson seconded the motion. The motion carried with no dissenting votes.

Grant/Loan Status Review

Angie Nelson reported that since she has been in the position of Growth Through Agriculture Program Manager she has done an audit of GTA files and has taken procedures to notify straggling recipients of reporting delinquencies.

She also reported that she is in the process of moving a few loans to Cort Jensen, the Department's legal counsel, for further legal action. Those files will be discussed further into the meeting during the issues portion of the agenda.

Angie will provide an updated grant/loan status report at the next Council meeting.

Loan Rates and Targeted Areas for SFY2012

Verges Aageson moved to set a low interest rate of zero percent and a high interest rate of four percent for loan awards during SFY2012. Ervin Schlemmer seconded the motion. The motion carried with no dissenting votes.

The Council elected not to designate a targeted area at this time. Cort Jensen, the Department's legal counsel, advised that if the Council decides to choose a targeted area at a later date, it would be necessary to advertise this notice 60 days in advance of the application deadline.

The Council will revisit this business item to potentially designate a targeted area at the next meeting.

Requests

- Brookside Woolen Mill – 0950255

During the April 6, 2011 business meeting, the Council voted to turn Brookside Woolen Mill's grant award into a loan with 10 percent interest due to reporting failure. Angie Nelson, GTA Program Manager, advised the Council that since then, Thayne Mackey of Brookside Woolen Mill contacted program staff indicating that the reporting failure was due to a misunderstanding on his part. She reported that Mr. Mackey is working on correcting his reporting failures and that Mr. Mackey has requested that the Council allow the award to remain a grant.

Patricia Quisno moved to allow Thayne Mackey's request for his award to remain a grant and not a loan with 10 percent interest. The motion further stipulated that it be communicated to Mr. Mackey that the grant award will become an automatic loan at 10 percent interest if proper reporting does not occur in a timely manner. Verges Aageson seconded the motion. The motion carried with no dissenting votes.

Mr. Mackey also requested that the Council allow reallocation of funding in the amount \$4,628 originally proposed for pumps and fans to instead cover electrical labor and supply costs for a total of \$13,158 in electrical costs. He explained in his correspondence with Angie that he was able to purchase some used fans and do some of the labor themselves. However, the amount budgeted for the electrical portion of his proposal was significantly more than he anticipated.

Bill Koenig moved to allow Mr. Mackey's request to reallocate funding in the amount of \$4,628 originally proposed for the purchase of pumps and fans to instead cover electrical labor and supply costs. The motion further stipulated that it be communicated to Mr. Mackey that non-compliance will trigger an automatic transfer of the grant award into a loan with 10 percent interest. Patricia Quisno seconded the motion. The motion carried with no dissenting votes.

Issues

- Montana Mountain Bison – 0650962

During the business meeting scheduled in February 2011, the Council determined to pursue legal action through the State Attorney General's office when it was learned that the company had not provided evidence that a trailer or other property was purchased in accordance with their contract. Nor had the company fulfilled their resulting obligation to return the funding for this project.

Cort Jensen, Chief Legal Counsel for the Department advised the Council that it will be necessary to schedule a staff site visit to the company's location in Belt, Montana to verify what has or has not taken place in order to present a criminal case for the Attorney General.

No further action needed.

- US Omega3 Foods – 0750029 and Montana Food Products – 1050358

During the business meeting scheduled in February 2011, the Council made determination to have Cort Jensen pursue legal action against US Omega3 Foods (0750029) for non-repayment of its loan.

Cort reported to the Council that he is planning a sit down meeting with Ron Oberlander of US Omega3 Foods about this and the reporting issues concerning Montana Food Products (1050358) to try to come to a resolution. A past due notice has been sent regarding Montana Food Products (1050358) and no response has been received to date.

- Fort Belknap Indian Community (Little River Smokehouse) – 0650915

Angie Nelson, Growth Through Agriculture Program Manager, reported that the Department had not yet received a comprehensive final report from Little Rockies Meat Packing Company/Pride of the Little Rockies Smokehouse. She stated that she has left a message for Michelle Fox, to get an update on the status of the final report.

Patricia Quisno reported that she has been in contact with Michelle. However, Michelle is having difficulty finding records from the previous managers of the business.

- Lolo Peak Winery, LLC – 0450811

During the February 2011 meeting, Collin Watters, Acting Growth Through Agriculture Program Manager, reported that Lolo Peak Winery, LLC's primary creditor had begun foreclosure proceedings.

Cort Jensen, Department legal counsel reported that, by process of foreclosure, the Department was listed as being sued by the business's primary creditor. The Department has a secondary lien on the sale of the property and primary lien on the sale of the equipment. However, it appears that the Department will not receive any compensation from the sale of the property.

The Council agreed to let the processes of foreclosure unfold.

Updates

Follow-up from February 9 and 10, 2011 Council Meeting

- *Sustainable Systems, LLC – 0250714, 0350764, 0450785, 0550885,*

As reported during the February Council meeting, the company has been involuntarily dissolved and is therefore inactive. Since that time, the Department has not received repayment on the business's \$125,715.50 loan which was to begin in March 2011. Angie Nelson, Growth Through Agriculture Program Manager, reported that a 1st past due notice was sent to Paul Miller, formerly of Sustainable Systems, LLC, and his attorney, Don Snively.

The Council agreed to have staff to go through the normal past due notification processes. Cort Jensen, the Department's legal counsel, advised the Council that he is doubtful that the outcome will be successful in his attempt to sue for the loss since the company has been dissolved.

- *Montana Premium Beef – 0750044*

Angie Nelson reported that the Department had not received reports or repayment from Michael L. VanAuken of Montana Premium Beef.

Chief Legal Counsel Cort Jensen indicated that the Department needs to verify whether the facility interior upgrade work took place before legal proceedings can begin.

Collin Watters, Agriculture Marketing and Business Development Bureau Chief, reported that he had been in contact with the property owner and will visit the business's location in Dutton to document that the company spent GTA funding as proposed.

- *Crossbow Corporation – 0850124*

During the February 2011 business meeting the Council asked the Department's legal counsel to prepare for litigation to collect the remaining balance of funding due and payable to the Department. Auctioning of the repossessed tablet maker took place in August 2010 but the proceeds only covered the costs of the sale.

Cort Jensen, Chief Legal Counsel, reported that the company had been sued by the Department, but they had not yet been served notice by the deputies. The lawsuit could force bankruptcy but apparently the company has no assets. If a judgment is filed, the Department would have the opportunity to take a second look at assets.

The Council agreed to allow the legal processes unfold.

Contract Change Requests Allowed Without Full Council Action

Angie Nelson informed the Council of the following contract amendment requests that were granted without full Council action as a result of determinations made between herself and David Tyler, Council Chairman:

- *Woolly Bugger Studios, Inc. dba Laurin Schoolhouse Creamery – 0950204, 0950205 and 1050326*

Lark Gilmer-Smotherman of Woolly Bugger Studios, Inc. dba Laurin Schoolhouse Creamery was granted her request for a one year extension to allow her time to secure a location for the business's cheese making facility.

- *Glacier View Acres/Avery Peters - 0950207*

Avery Peters of Glacier View Acres was granted his request for a budget change to allow remaining funding from his completed project in the amount of \$4,954.00 to purchase packaging supplies. (Note: remaining funds in the amount of \$3,045.41 were returned)

- *Ten Spoon Winery - 1150460*

Andrew Sponseller of Ten Spoon Winery was granted his request for a budget allocation change to include the purchase fencing for the vineyard expansion to prevent animals from damaging the new plants. The purchase of fencing will be in addition to plants and irrigation materials.

- *Yellowstone Distribution – 0950176*

Travis Byerly of Yellowstone Distribution was granted his request for an extension of July 31, 2011 to submit his final report.

- *Safflower Technologies International, LLC – 1150381*

Jerry Bergman of Safflower Technologies International, LLC was granted his request for a two year loan deferment.

Bill Koenig moved to approve contract change requests allowed for the group listed above without full council action. Patricia Quisno seconded the motion. The motion carried with no dissenting votes.

Other Requests Considered Without Full Council Action

Angie Nelson informed the Council of the following requests that were considered without full Council action as a result of determinations made between herself or the previous program manager, Collin Watters, David Tyler, Council Chairman, Ron de Yong, Director, Montana Department of Agriculture, and Collin Watters, Bureau Chief, Agricultural Marketing and Business Development:

- *Agri Best Feeds*

Scott Anderson of Agri Best Feeds requested reconsideration of his proposal that was denied funding during the Council's business meeting held on February 9 and 10, 2011. Mr. Anderson's request for reconsideration was denied.

- *Algae Aqua-Culture Technologies, Inc.*

John Murdock of Algae Aqua-Culture Technologies, Inc. requested reconsideration of his proposal that was denied funding during the Council's business meeting held on February 9 and 10, 2011. Mr. Murdock's request for reconsideration was denied.

- Safflower Technologies International, LLC

Jerry Bergman of Safflower Technologies International, LLC was granted his request to submit his GTA application past the March 4, 2011 deadline for Council consideration during the business meeting held on April 6, 2011.

- Winebark's Old World Specialty Meats, LLC

Duane Winebark of Winebark's Old World Specialty Meats, LLC requested reconsideration of his proposal that was denied funding during the Council's business meeting held on February 9 and 10, 2011. Mr. Winebark's request for reconsideration was denied.

- North Missoula Community Development Corporation

Bob Oaks of North Missoula Community Development Corporation requested reconsideration of his proposal that was denied funding during the Council's business meeting held on February 9 and 10, 2011. Mr. Oaks request for reconsideration of his proposal was denied.

- Rycom Transload Services, LLC

Tim MacDonald of Rycom Transload Services, LLC was granted his request to submit a GTA application past the December 31, 2010 deadline for Council consideration during the business meeting held on February 9 and 10 2011.

- Rocky Mountain Lavender - 1150378

Lori Parr of Rocky Mountain Lavender was granted her request to invest funding in an interest bearing account from the grant award she received during the Council business meeting held on September 29 and 30, 2011.

Ms. Parr's second request was to reallocate cost savings from the purchase of a used or fabricated lavender still to instead cover some of the costs of a building to house the still plus business liability insurance. Angie Nelson, Growth Through Agriculture Program Manager, stated the request is pending further information from Ms. Parr which included a new breakdown of costs and matching funds.

Request Denied Without Full Council Action

Angie Nelson informed the Council of the following request that was denied without full Council action as a result of determinations made between herself and David Tyler, Council Chairman.

- MSU-Northern Bio-Energy Innovation and Testing Center – 1050323

Dr. Jon Soriano of MSU-Northern Bio-Energy Innovation and Testing Center was denied his request to sell meal resulting from oilseed crushing to reinvest back into the project instead of donating it to ranchers, farmers and local businesses as originally proposed.

Other Business

Electronic Grants Management System Update

Angie Nelson, Growth Through Agriculture Program Manager, reported that the Department has contracted with Dulles Technology Partners Inc. for the development of an electronic grant management program. The company will provide training which is to begin in June and throughout the summer. Angie was hopeful that the program would be fully functional in November and will provide the Council with an update during the Council's Fall meeting.

The development of the grant management program will be funded through Department of Agriculture previous fiscal year carry forward money and yearly costs will come from the GTA program.

Meeting and Application Deadline Schedule for SFY2012

The Council set the next application deadline at the April 6, 2011 meeting, which will be August 1, 2011. The Council agreed to hold the next business meeting on Wednesday, September 7 and Thursday, September 8, 2011 in Helena.

Angie Nelson proposed holding two meetings during SFY 2012 with the next GTA application deadline of January 31, 2012 and holding the Council business meeting during the following month of March.

The Council agreed to revisit the proposed schedule during their business meeting in September.

Public Comments

Chairman Tyler called for public comments. No public comments were presented.

David Tyler, Chair, adjourned the meeting at 8:37 a.m., June 1, 2011.

Respectfully submitted by Lindra Davies